HOUSING MARKET INFORMATION

HOUSING NOW
Canada

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: January 2012

Canadian Market Overview

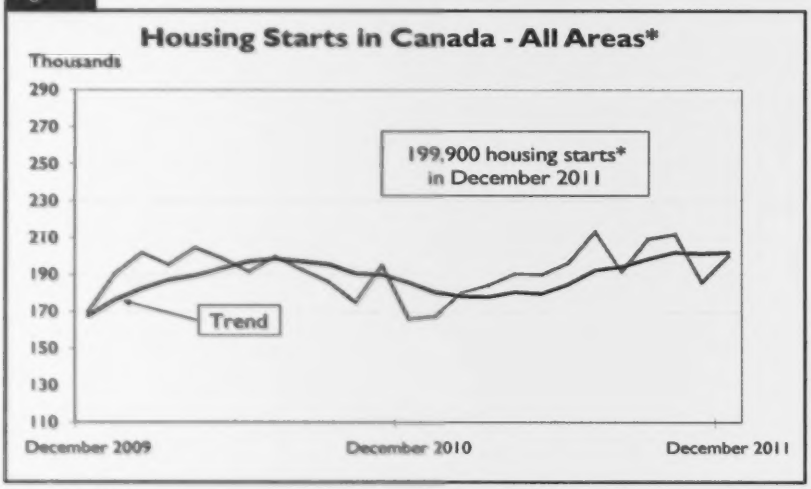
New Home Market

Housing starts increased in December

The seasonally adjusted annual rate[1] of housing starts was 199,900 units in December, up 7.6 per cent from 185,700 units in November.

The increase posted in December was mainly due to increased multiple urban starts, particularly in Ontario and in Atlantic Canada.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban single and multiple starts both increased in December

The seasonally adjusted annual rate of total urban[2] starts increased 9.9 per cent to 181,600 units in December compared to 165,200 units in November. Urban single starts increased 3.8 per cent to 70,600 units, while urban multiple starts jumped 14.2 per cent to 111,000 units in December.

Urban starts increased significantly in Atlantic Canada and Ontario

In December, the seasonally adjusted annual rate of urban starts increased in the Atlantic region (52.9 per cent), in Ontario (35.3 per cent), and in Quebec (8.3 per cent). On the other hand, urban starts decreased in British Columbia (-19.8 per cent) and in the Prairie region (-11.0 per cent).

The seasonally adjusted annual rate of rural starts was 18,300 units in December compared to 20,500 units in November.

Total starts up in 2011 compared to 2010

In 2011, actual urban starts increased 4.9 per cent compared to 2010. Actual urban single starts for 2011 were down 9.6 per cent from 2010, while actual urban multiple starts jumped 16.7 per cent higher over the same period.

Actual starts in rural and urban areas combined increased by an estimated 2.1 per cent in 2011 compared to 2010.

The stock of unabsorbed new housing was stable

The stock of unabsorbed new housing units was relatively stable over the past year. After falling 28.4 per cent between 2009 and 2010, the number of new and unoccupied singles and semis has fluctuated narrowly between 5,500 and 6,200 units during 2011, standing at 6,200 units in December, 2011. With respect to multiples, the number of new and unoccupied units oscillated in a band between 12,600 and 14,200 units, standing at 12,900 units in December, 2011.

New house prices were up in November

The New Housing Price Index (NHPI) increased 2.5 per cent in November 2011 compared to November 2010. This is the same as the year-over-year increase that was observed in October 2011.

In 2011, the New Housing Price Index increased in 17 out of 21 centres. The largest increases in the NHPI were in Toronto and Oshawa (6.2 per cent), followed by Winnipeg (5.8 per cent) and Regina (5.3 per cent). Declines were registered in Victoria (-1.7 per cent), Vancouver (-0.2 per cent), Calgary (-0.2 per cent) and St. John's (-0.1 per cent).

Existing Home Market

MLS®[3] sales edged up in December

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales increased 1.8 per cent to 476,880 units in December, compared to 468,396 units in November. Actual MLS® sales in 2011 tallied 456,749 units, a 2.2 per cent increase from 2010.

MLS® new listings rose in December

The seasonally adjusted annual rate of MLS® new listings in December was 869,724, an increase of 3.0 per cent from 844,584 in November. Actual new listings were up 0.3 per cent in 2011, leaving them essentially unchanged from last year.

The Sales-to-New-Listings ratio at the upper limit of a balanced market

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[4]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio for Canada remained near the upper limit of balanced market conditions (i.e. balanced, but closer to sellers' market conditions) in December, at 54.8

[2]Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

[3]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association

[4]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

per cent, down from 55.5 per cent in November.

MLS® price virtually unchanged

The December seasonally adjusted average MLS® price in Canada decreased by 0.9 per cent to $358,480 from $361,633 in November. The unadjusted MLS® average price increased 0.9 per cent in December to $347,801 from $344,782 a year ago.

Economic conditions

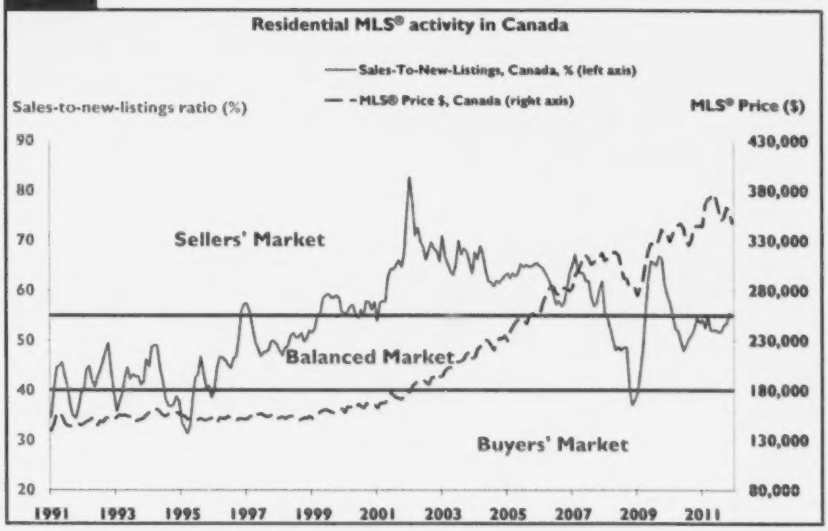
According to Statistics Canada, month-over-month seasonally adjusted employment edged up by 17,500 jobs in December following two consecutive monthly declines. This increase was driven by gains in part-time employment (up by 43,100 jobs), while full-time employment declined by 25,500 jobs.

Among the provinces, month-over-month seasonally adjusted employment increased everywhere in December, with the exception of Quebec. The largest increases were recorded in Ontario (15,700 jobs), British Columbia (10,700 jobs) and Nova Scotia (4,300 jobs), while Quebec saw a loss of 25,700 jobs in December.

Statistics Canada reported that the labour force also increased in December, as more people participated. This caused Canada's unemployment rate to edge up by 0.1 percentage points from November to 7.5 per cent in December, despite the rise in employment.

Compared to December 2010, total employment in Canada over the last 12-months increased by 199,200 jobs (1.2 per cent), all in private, full-time jobs. Provincially, the largest employment gains were seen in Alberta (98,800 jobs) and Ontario (91,300 jobs). Employment fell in Quebec (-51,000) and was unchanged in New Brunswick.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS

With respect to policy rates, the Bank of Canada announced on January 17th that it was leaving the target for the overnight interest rate unchanged at 1.0 per cent.

According to the Bank of Canada, while the economy had more momentum than originally anticipated in the second half of 2011, the pace of growth going forward is expected to be more modest than previously envisaged, as prolonged uncertainty about the global economic and financial environment will likely reduce the rate of growth of business investment, while net exports are expected to contribute little to overall growth as a consequence of moderate foreign demand and the strength of the Canadian dollar. On the other hand, domestic consumer spending and housing activity will continue to contribute to growth. The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place on March 8th, 2012.

Statistics Canada's Consumer Price Index, which is a measure of inflation, rose 2.3 per cent in the 12 months to December, following a 2.9 per cent increase in November. Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose 1.9 per cent in the 12 months to December, following a 2.1 per cent increase in November. ■

Canada's Existing Home Market: A Change to Balanced Market Conditions

Canada's sales-to-new-listings ratio was in sellers' market territory from mid-1999 until the end of 2007. Over 2008 and 2009, market conditions fluctuated from buyers' markets to sellers' markets over relatively short time frames. Since the end of 2009, the ratio has stabilized at the upper limit of a balanced market.

A good indicator of price pressure in the existing home market is the sales-to-new-listings ratio. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The ratio is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A sales-to-new-listings ratio below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the ratio is between these thresholds, the market is said to be balanced and home prices tend to increase at the general rate of inflation.

Figure 3

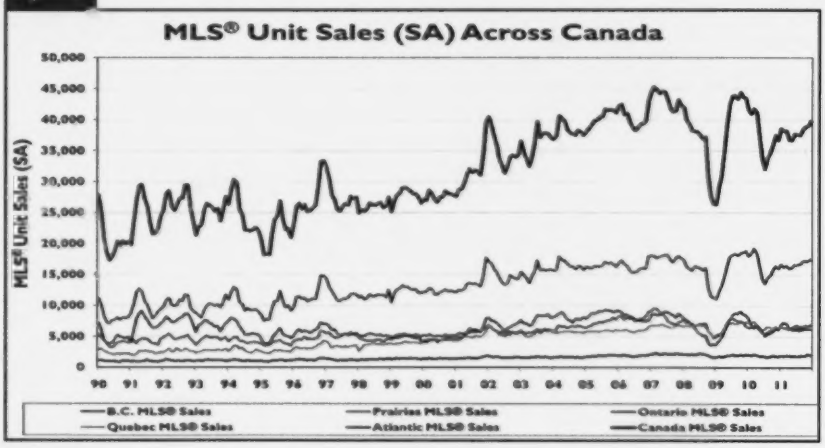


Figure 4

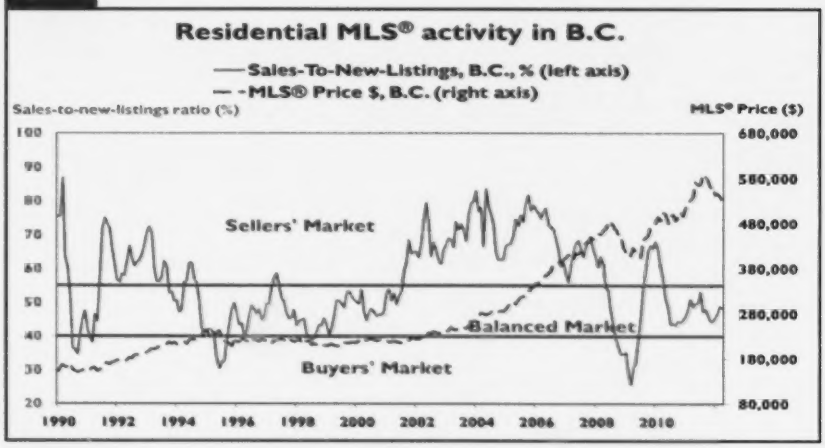
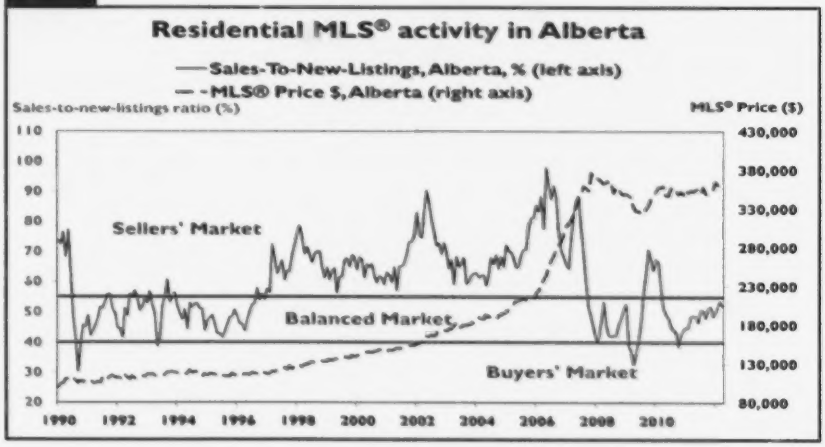


Figure 5



The relationship between market conditions and average prices can be somewhat distorted by the fact that average prices can also reflect changes in the mix of houses sold. It is also important to note that to simplify the analysis in the present context, we assume that the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

The overall Canadian context

After many years of sellers' market conditions, the resale market saw a moderation of demand in 2008 as economic growth slowed. The sales-to-new-listings ratio trended lower, so that by late 2008 the resale market had dipped briefly into buyers' market territory. As a result, average home prices moderated, with year-over-year declines emerging in late 2008. In early 2009, improving economic conditions and low mortgage rates helped drive a strong rebound in resale market activity, culminating in the emergence of sellers' market conditions by the second quarter of that year and the re-emergence of home price growth in excess of the general rate of inflation. Over 2010 and 2011, market conditions were marked by the emergence of more stable balanced market conditions, albeit at the high end of the sales-to-new-listings ratios typically associated with balanced markets.

Figure 6

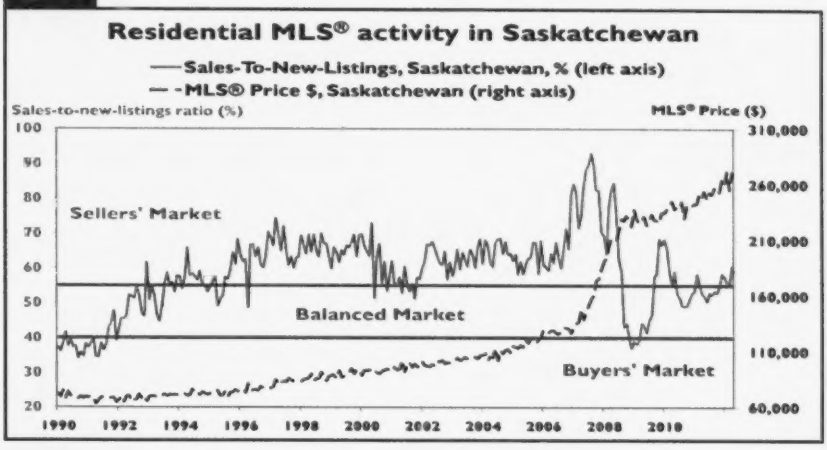


Figure 7

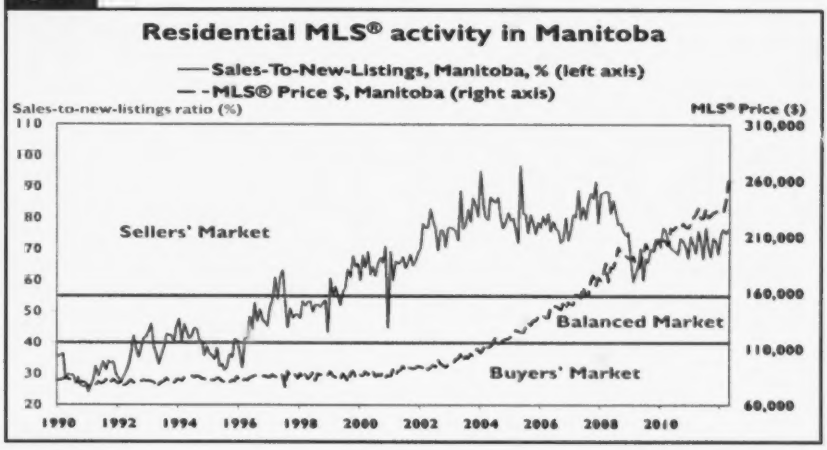
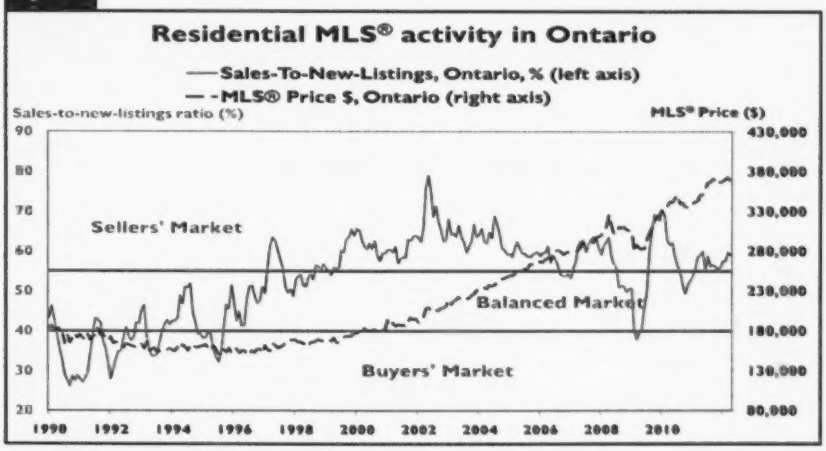


Figure 8



Over the same time period, the rate of home price growth moderated from the highs seen in 2009 (Figure 3). Since existing home market conditions continue to inhabit balanced market territory, home prices can be expected to increase at a pace closer to the overall rate of inflation.

The Western Canada view

As can be seen in Figures 4 to 7, balanced markets generally characterized conditions in B.C., Alberta and Saskatchewan throughout 2011. The exception is Manitoba, which remained in sellers' market territory since about 2001. In Alberta, average seasonally adjusted existing home prices reached $358,514 in December 2011, 4.8 per cent below the peak observed in July 2007. With respect to B.C., the seasonally adjusted average MLS® price in December was $528,545, 10.8 per cent below the April 2011 peak. In Saskatchewan ($271,523) and Manitoba ($259,720), prices remain near, or at, their peaks.

The Ontario and Quebec view

The balanced market conditions that emerged in Ontario in the latter half of 2010 gave way to sellers' market conditions throughout 2011. The seasonally adjusted average MLS® price in December 2011 ($366,545) was just 1.6 per cent lower than he peak registered the month prior.

Figure 9

Figure 10

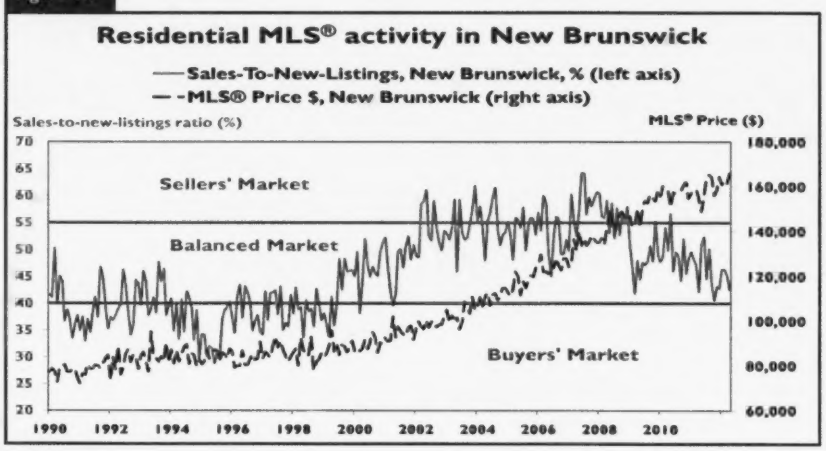
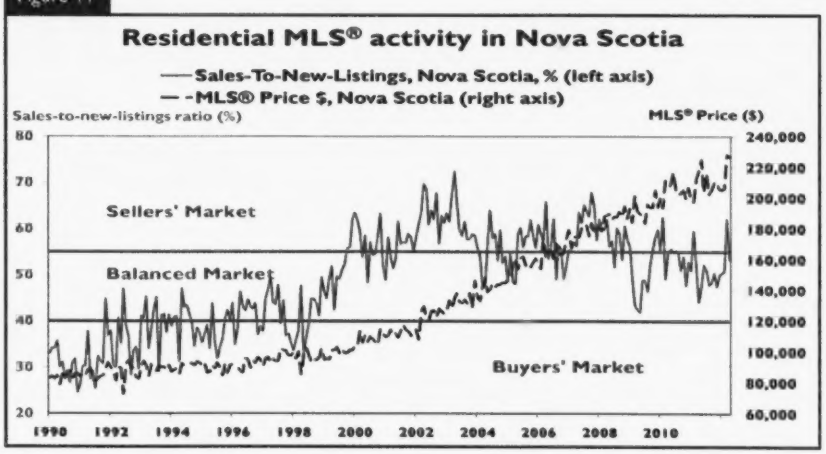


Figure 11



In Quebec, the seasonally adjusted average MLS® price level reached a peak in December ($259,911). The emergence of balanced market conditions in Quebec since mid-2010 has been accompanied by rates of housing price growth generally in-line with the overall rate of inflation.

The Atlantic Canada view

Atlantic Canada (Figures 10 to 13) has generally experienced balanced market conditions over the last two years, although conditions in Prince Edward Island have been less stable over the same time period. In New Brunswick, the seasonally adjusted average MLS® price reached a new peak in December 2011 ($165,859). The average MLS® price in Nova Scotia was $226,530 in December, down marginally (-0.7 per cent) from the peak registered the month prior. The average MLS® price in Newfoundland at the end of 2011 was $251,884, 6.4 per cent below the peak registered in September 2011. The average MLS® price in Prince Edward Island in December was $134,323, more than 30 per cent below the peak recorded in August 2010. The sales-to-new-listings ratio in the Atlantic Provinces is generally more volatile than in other regions. This partly reflects the generally smaller base of activity in Atlantic Canada's housing markets, which can magnify the impact of monthly swings in activity. ■

Figure 12

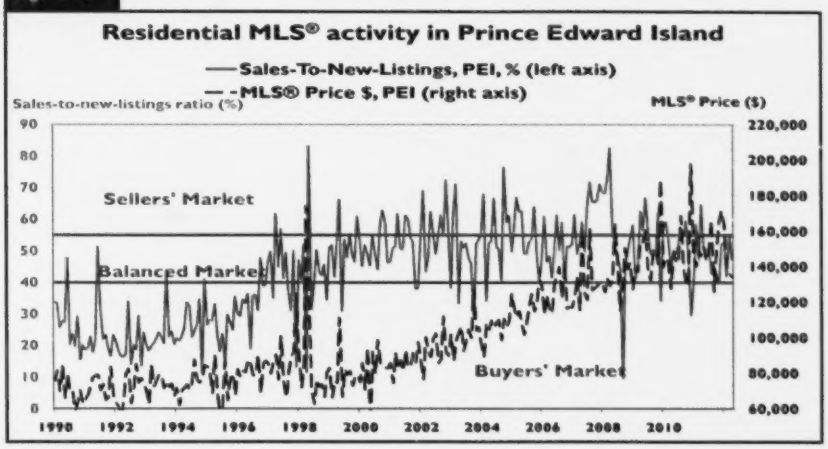
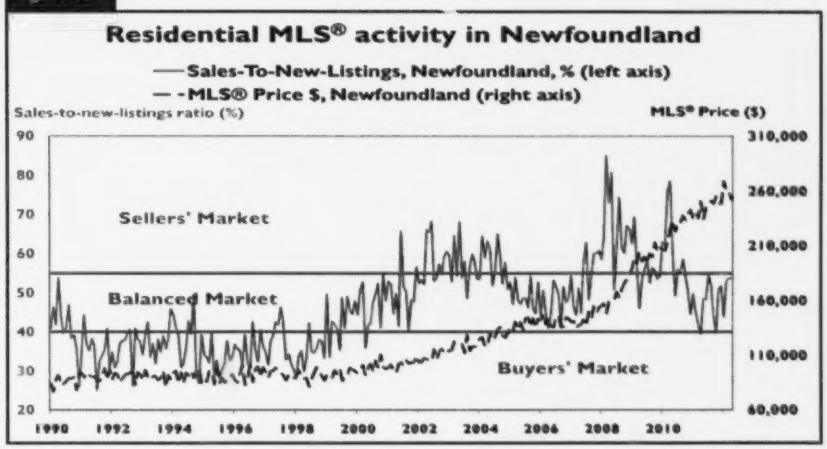


Figure 13



This Month's Housing Data (SAAR)

	2011	Q2:11	Q3:11	Q4:11	M10:11	M11:11	M12:11
Housing starts, units, 000s							
Canada. Total. All areas	**194.0**	**194.6**	**205.3**	**199.9**	**211.7**	**185.7**	**199.9**
Per cent change from previous period	2.1	11.3	5.5	-2.6	1.2	-12.3	7.6
Canada. Total. Rural areas	**19.6**	**18.9**	**22.8**	**20.4**	**20.8**	**20.5**	**18.3**
Per cent change from previous period	-17.5	5.0	20.6	-10.5	2.5	-1.4	-10.7
Canada. Total. Urban areas	**174.4**	**175.7**	**182.5**	**179.5**	**190.9**	**165.2**	**181.6**
Per cent change from previous period	4.9	12.1	3.9	-1.6	1.1	-13.5	9.9
Canada. Single. Urban areas	**67.1**	**68.1**	**69.6**	**67.8**	**65.0**	**68.0**	**70.6**
Per cent change from previous period	-9.6	10.9	2.2	-2.6	-3.6	4.6	3.8
Canada. Multiple. Urban areas	**107.3**	**107.6**	**112.9**	**111.7**	**125.9**	**97.2**	**111.0**
Per cent change from previous period	16.7	12.8	4.9	-1.1	3.6	-22.8	14.2
Newfoundland. Total. All areas	**3.5**	**3.7**	**3.6**	**3.2**	**3.2**	**3.9**	**3.0**
Per cent change from previous period	-3.3	-9.8	-2.7	-11.1	-8.6	21.9	-23.1
Prince Edward Island. Total. All areas	**0.9**	**0.8**	**1.3**	**1.2**	**1.0**	**1.5**	**0.8**
Per cent change from previous period	24.3	0.0	62.5	-7.7	-23.1	50.0	-46.7
Nova Scotia. Total. All areas	**4.6**	**4.2**	**5.5**	**4.9**	**3.1**	**2.8**	**8.5**
Per cent change from previous period	7.8	5.0	31.0	-10.9	-49.2	-9.7	203.6
New Brunswick. Total. All areas	**3.5**	**3.4**	**4.1**	**3.8**	**3.7**	**3.5**	**3.7**
Per cent change from previous period	-15.8	126.7	20.6	-7.3	-24.5	-5.4	5.7
Quebec. Total. All areas	**48.4**	**48.7**	**49.4**	**48.6**	**45.6**	**47.2**	**50.3**
Per cent change from previous period	-5.8	3.4	1.4	-1.6	-24.1	3.5	6.6
Ontario. Total. All areas	**67.8**	**70.7**	**71.2**	**66.9**	**75.7**	**54.0**	**71.5**
Per cent change from previous period	12.2	14.8	0.7	-6.0	15.2	-28.7	32.4
Manitoba. Total. All areas	**6.1**	**5.9**	**6.5**	**7.3**	**8.4**	**7.5**	**4.9**
Per cent change from previous period	3.3	28.3	10.2	12.3	86.7	-10.7	-34.7
Saskatchewan. Total. All areas	**7.0**	**7.0**	**8.1**	**7.3**	**8.7**	**7.2**	**5.9**
Per cent change from previous period	19.0	12.9	15.7	-9.9	-3.3	-17.2	-18.1
Alberta. Total. All areas	**25.7**	**23.5**	**27.4**	**30.2**	**33.0**	**29.9**	**28.3**
Per cent change from previous period	-5.1	12.4	16.6	10.2	35.2	-9.4	-5.4
British Columbia. Total. All areas	**26.4**	**26.7**	**28.2**	**26.5**	**29.3**	**28.2**	**23.0**
Per cent change from previous period	-0.3	11.3	5.6	-6.0	-1.3	-3.8	-18.4

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2011	Q2:11	Q3:11	Q4:11	M10:11	M11:11	M12:11
Housing starts, units, 000s							
Canada. Total. Urban areas	174.4	175.7	182.5	179.5	190.9	165.2	181.6
Newfoundland. Total. Urban areas	2.3	2.5	2.5	2.0	2.0	2.5	1.7
Prince Edward Island. Total. Urban areas	0.7	0.6	1.0	0.8	0.7	1.1	0.5
Nova Scotia. Total. Urban areas	4.1	3.7	4.8	4.4	2.6	2.5	8.0
New Brunswick. Total. Urban areas	2.5	2.6	2.9	2.5	2.3	2.4	2.8
Quebec. Total. Urban areas	41.8	42.4	42.5	41.7	38.6	40.0	43.3
Ontario. Total. Urban areas	65.2	68.1	68.5	64.2	73.1	51.3	69.4
Manitoba. Total. Urban areas	4.2	4.0	4.1	5.2	6.3	5.6	3.4
Saskatchewan. Total. Urban areas	5.7	5.5	5.6	6.3	7.8	6.1	5.2
Alberta. Total. Urban areas	23.6	21.5	24.7	28.1	30.4	27.5	26.3
British Columbia. Total. Urban areas	24.3	24.8	25.9	24.3	27.1	26.2	21.0

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized.This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2011	Q2:11	Q3:11	Q4:11	M10:11	M11:11	M12:11
New Housing							
New & unoccupied singles & semis, units 000s	5.8	5.6	5.6	6.0	5.9	6.0	6.2
Per cent change from same period previous year	8.9	4.3	12.7	7.7	10.5	6.8	6.0
New & unoccupied row & apartments, units 000s	13.2	12.8	13.6	12.9	13.2	12.6	12.9
Per cent change from same period previous year	-2.8	-4.5	-1.2	-5.9	-3.4	-8.5	-6.0
New House Price Index, 2007=100	n.a.	105.3	105.8	n.a.	106.2	106.5	n.a.
Per cent change from same period previous year	n.a.	2.0	2.3	n.a.	2.5	2.5	n.a.
Existing Housing							
MLS® resales*, units 000s	456.7	443.9	453.6	470.3	465.5	468.4	476.9
Per cent change from same period previous year	2.2	-1.3	13.0	6.9	8.1	4.3	8.4
MLS® average resale price, 000s**	363.3	366.7	361.9	360.8	362.5	361.6	358.5
Per cent change from same period previous year	7.2	8.9	8.4	4.1	6.2	4.2	2.1
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.52	3.63	3.50	3.50	3.50	3.50	3.50
Posted 5-Year Mortgage Rate, % (period average)	5.37	5.56	5.32	5.29	5.29	5.29	5.29

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available.

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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